

Message Text

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PAGE 01 BUJUMB 00056 222153Z

22

ACTION AF-06

INFO OCT-01 EUR-12 ISO-00 AID-05 CIAE-00 COME-00 EB-07

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03

SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 AGR-05 /066 W

----- 109249

R 221300Z 76

FM AMEMBASSY BUJUMBURA

TO SECSTATE WASHDC 5185

INFO AMEMBASSY BRUSSELS

C O N F I D E N T I A L BUJUMBURA 0056

E.O. 11652: GDS

TAGS: BAGB, BEXP, BENC, BY

SUBJECT: MAJOR PROJECT: AGRO INDUSTRIAL PROJECTS IN BURUNDI

REF 75 BUJUMBURA 895, BUJUMBURA 0004, 75 STATE 295809,
75 BRUSSELS 11571, ANTWERP 21

1. EMBASSY WOULD LIKE TO BE MORE ENCOURAGING BUT DOES NOT BELIEVE PROJECTS MENTIONED BUJUMBURA 895 (AND OTHERS) ARE "OPEN" FOR U.S. PARTICIPATION. ALREADY TOO MANY FOREIGN AID MISSIONS AND PRIVATE INTERESTS ARE VYING FOR CONSULTING, ENGINEERING, EQUIPMENT AND CONSTRUCTION CONTRACTS, ALL OF WHICH ARE INEXTRICABLY LINKED TO NON-AMERICAN, TIED LOANS.

2. ACCORDING TO BELGIAN DCM, BELGIAN BILATERAL AID PROGRAM IS STILL INTERESTED IN PARTICIPATING IN SUGAR PROJECT, ALTHOUGH BELGIAN BASED EUROPEAN INVESTMENT CORPORATION (EIC) ARMED WITH BELGIUM'S BANQUE DUCROINE LOAN GUARANTEES, SEEMS TO HAVE TAKEN LEAD IN EFFORTS TO FINANCE AND HELP ORGANIZE THIS PROJECT (AS WELL AS OTHERS, SEE ANTWERP 21 AND 75 BRUSSELS 11571). EMBASSY HAS LEARNED THAT EIC HAS ALREADY URGENTLY ASKED GRB FOR SHOPPING LIST OF MATERIALS TO BEGIN TO DRAW DOWN ON FIRST TRANCHE OF TWO MILLION DOLLARS. (WE PRESUME THIS IS PART OF 15 MILLION DOLLAR
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PAGE 02 BUJUMB 00056 222153Z

LOAN PER BRUSSELS 11571 FOR USE IN DEVELOPING SUGAR INDUSTRY AS WELL AS TEA AND COFFEE PRODUCTION.) EMBASSY HAS ALSO LEARNED THAT BELGIAN CONSULTING-ENGINEERING FIRM SORCA HAS BEEN AWARDED THREE MILLION DOLLAR CONTRACT FOR SOME (UNNAMED) ENGINEERING STUDY, AN AMOUNT WHICH WOULD SUGGEST A PROJECT WITH TOTAL VALUE OF PERHAPS 20 TO 25 MILLION DOLLARS.

3. THE EUROPEAN DEVELOPMENT FUND (FED) ALSO HAS REITERATED ITS WILLINGNESS TO PARTICIPATE IN SUGAR PROJECT, PROBABLY IN FINANCING INAUGURATION OF SUGAR CAN PLANTATION. IN FACT, IT HAS TENTATIVELY RESERVED PART OF 1976-80 BUDGET FOR THIS PROJECT, BUT WILL AWAIT OFFICIAL GRB APPROACH TO FED FOR HELP. PRIVATE GERMAN INTEREST IN BUILDING SUGAR FACTORY IS ALSO WELL KNOWN, AND FRG WOULD PROBABLY TAILOR ITS SUBSTANTIAL BILATERAL AID PROGRAM TO FACILITATE PRIVATE GERMAN CONSTRUCTION CONTRACT IF THIS POSSIBILITY BECAME PRACTICABLE. TUNISIAN FINANCING HAS ALSO BEEN MENTIONED IN BURUNDI'S PRESS AS SOURCE FOR SUGAR PROJECT FINANCING, AND SOME ARAB CAPITAL (LIBYAN AND/OR KUWAITI) CANNOT BE RULED OUT.

4. IN ADDITION TO SUGAR COMPLEX, THE EIC REPORTEDLY MAY ALSO FINANCE A THREE MILLION DOLLAR SLAUGHTERHOUSE AND MEAT PROCESSING FACILITY. IT SEEMS THIS COMPLEX SOMEHOW WILL BE INTEGRATED WITH A CATTLE RAISING PROJECT, WHICH BUJUMBURA'S 150 ROOM INTERNATIONAL HOTEL, BEING BUILT, MANAGED, AND PARTIALLY FINANCED BY ITALIAN FIRMS, WILL REPORTEDLY SPONSOR AND USE TO ASSURE MEAT SUPPLY FOR HOTEL OPERATIONS (AND EXPORTS).

5. OTHER PROJECTS WHICH THE EIC HAS AGREED TO SUPPORT INCLUDE SENDING BELGIAN EXPERTS TO ESTABLISH A BURUNDI GOVERNMENT SAVINGS AND LOAN BANK IN BUJUMBURA (BELGIAN EMBASSY WAS UNAWARE OF THIS PROJECT), AND POSSIBLE FINANCING FOR A THREE MILLION DOLLAR 70 TO 100 UNIT VACATION RESORT, FOR WHICH RELIABLE SOURCES SAY CONSTRUCTION CONTRACT HAS ALREADY BEEN AWARDED. THIS IS ALL THE MORE CURIOUS SINCE NO TOURISM STUDIES HAVE BEEN CONDUCTED WHICH PREDICT ADEQUATE PROFIT PROSPECTS TO JUSTIFY SUCH A VACATION CENTER.

6. GRB NEGOTIATIONS CONCERNING THESE PROJECTS HAVE BEEN CONFIDENTIAL

CONFIDENTIAL

PAGE 03 BUJUMB 00056 222153Z

DUCTED SECRETELY AND THE RESULTS JEALOUSLY GUARDED, THUS MAKING IT DIFFICULT FOR EMBASSY TO REPORT OPPORTUNITIES IN TIMELY FASHION, OR FOR "OUTSIDERS", WHO HAVE NOT ARRANGED BEFOREHAND OWN PROJECT FINANCING AND NECESSARY "GOVERNMENT CONTACTS" (AND, UNDOUBTEDLY, PAYOFFS), TO PARTICIPATE IN BUSINESS OPPORTUNITIES. EMBASSY WILL CONTINUE TO MONITOR SCENE AS CAREFULLY AS POSSIBLE AND WILL BE ALERT TO POSSIBLE

OPPORTUNITIES FOR U.S. HOWEVER, WHILE ADDITIONAL POSSIBILITIES FOR CAPITAL INTENSIVE AGRO-INDUSTRIAL PROJECTS DO EXIST IN BURUNDI, FEW IF ANY OF THEM, HOWEVER, WOULD BE LIKELY TO GENERATE (OR TO DESERVE TO GENERATE) SUFFICIENT PROFITS TO ATTRACT LARGE INPUTS OF AMERICAN CAPITAL. IN GENERAL, PROFIT OUTLOOK FOR ABOVE-NOTED NEW PROJECTS, AND EVEN FOR 150 ROOM HOTEL NOW BEING BUILT, IS SHADOWY ENOUGH TO MAKE ONE SUSPECT THAT BUSINESS CONSIDERATIONS ARE BY NO MEANS THE WHOLE STORY OF RECENT NEW BELGIAN-ITALIAN INVOLVEMENTS HERE.
MARK

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*** Current Handling Restrictions *** n/a

*** Current Classification *** CONFIDENTIAL

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 22 JAN 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ShawDG
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BUJUMB00056
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: n/a
Film Number: D760026-0156
From: BUJUMBURA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760193/aaaagdru.tel
Line Count: 130
Locator: TEXT ON MICROFILM, TEXT ON-LINE
Office: ACTION AF
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 BUJUMBURA 895, 76 BUJUMBURA 4, 76 STATE 295809, 76 BRUSSELS 11571, 76 ANTWERP 21
Review Action: RELEASED, APPROVED
Review Authority: ShawDG
Review Comment: n/a
Review Content Flags:
Review Date: 29 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <29 MAR 2004 by KelleyW0>; APPROVED <29 JUL 2004 by ShawDG>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 970918
Subject: MAJOR PROJECT: AGRO INDUSTRIAL PROJECTS IN BURUNDI
TAGS: BEXP, BY
To: STATE INFO BRUSSELS
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006